

**Memo of Record**  
**Budget and Finance Policy Group**  
**Council on Postsecondary Education**  
**May 22, 2006**

The Budget and Finance Policy Group, a committee of the Council on Postsecondary Education, met May 22, 2006, at 8:00 a.m. at the Council offices, Frankfort, Kentucky. Mr. Dan Flanagan presided over the meeting.

Policy group members present: Mr. Walter Baker, Mr. Dan Flanagan, Mr. Ron Greenberg, and Mr. John Turner.

Policy group members absent: Ms. Alois Moore, Mr. Ryan Quarles, and Ms. Joan Taylor.

Introductory Remarks

Welcoming remarks by Mr. Dan Flanagan. Mr. Flanagan recognized Mr. John Turner as a new member to the policy group.

Mr. Flanagan also recognized invited guests: Mr. Brian Crall, Deputy Secretary of the Executive Cabinet, Governor's Office; Ms. Laura Owens, Deputy Secretary, Education Cabinet; Representative Frank Rasche, Chair, House Education Committee; Dr. Jim Votruba, NKU President; and, Senator Ken Winters, Chair, Senate Education Committee. Mr. Flanagan said that members of the Strategic Committee on Postsecondary Education and the chairs of the Education Committees had been invited to participate in discussions of policy issues leading to the development of a funding model. The presidents also had been asked to participate in the discussion.

Mr. Flanagan mentioned the concerns expressed during the 2006 legislative session about the way the Council arrived at the budget recommendation. He stated that the Council is open to looking at ways to include all stakeholders (the institutions, the legislative body, and the executive office) and is interested in what they have to say. He stated that the current benchmark funding model could use some revision and that the policy group will look at that before the next budget cycle.

2020 Projections Related to the Public Agenda

Mr. John Hayek, CPE Associate Vice President for Planning and Performance, discussed the 2020 projections related to the Public Agenda. Mr. Hayek stated that if Kentucky continues on the current path there will be a gap of about 211,000 degree holders in 2020 that will be needed to get Kentucky to the national average. He mentioned some of the areas that need to be modified and changed in order to close the gap: taking a look at the quality of the postsecondary education institutions, increasing retention rates, increasing graduation rates, converting GED holders into degree holders, and looking at the ability to funnel more students through KCTCS. He said that it is

important to increase the number of high school graduates, bring businesses to Kentucky, and increase new baccalaureate degree holders through immigration.

Mr. Hayek provided an overview of recent discussions on the 2020 projections during campus visits to EKU, MoSU, UK, and UofL. Discussions with the remaining institutions will be conducted in the upcoming months. He said that a report will be provided to the Council at its September meeting.

Mr. Ron Greenberg stated that Kentucky will fall short of meeting the 2020 educational attainment goal of HB 1. He asked if that is acceptable and, if so, where does postsecondary education go from here. He said this is a policy issue to ask of the executive branch and the legislature.

#### Timeline/Process for Funding Policy Development

Dr. Tom Layzell, CPE President, provided an overview of the major components of the funding policy development. Dr. Layzell mentioned both the diversity study and the facilities condition assessment study the Council is currently conducting.

Senator Winters stated that he applauds the effort. He stated that a number of issues regarding the formula were raised during the recent legislative session. He said that development of a funding model needs to be done aggressively and with great insight. He mentioned that innovation needs to be the theme to enter this discussion because the 2020 projections cannot be reached with the current pipeline. There needs to be a way to get the adult learner, the nontraditional student, back into the program. He stated the need to help high school students graduate. He challenged the Council to make sure that there is an incentive that will encourage the postsecondary education community to get more directly involved with high schools. He mentioned the overall impact that SB 130 will have. He said that postsecondary education needs to do everything it can and should remember that the student is the reason for the postsecondary education existence. Retention and graduation rates need to be improved and there needs to be a plan in place with these issues. He mentioned the need to look at productivity, program mix, and manpower needs.

Mr. Flanagan stated that the state's economic development depends in large part on the success of postsecondary education since the state needs an educated workforce for the jobs available.

Senator Winters mentioned Dr. Layzell serving on the Kentucky Board of Education as ex officio and Mr. Gene Wilhoit, Commissioner, Kentucky

Department of Education, serving as ex officio on the Council and that there is great opportunity for them to share and understand the problems in each of these areas. He said, when talking about legislative process, it is incumbent on postsecondary education to drive the process, not respond to it. He stated that the legislature tends to drive the situation if it sees no one driving the situation. He said that the Council needs to be sure that what is done is aggressive and well thought out.

Ms. Owens added that at the beginning of the current administration postsecondary education underwent a transformation because Governor Fletcher put everybody at the same table by combining the Council, Workforce Education, and the Department of Education under one cabinet. She stated that she thinks postsecondary education is moving in the right direction and that economic development will not succeed without postsecondary education and vice versa. She stated that the Council is to be commended for making sure that everybody has a voice and it is appreciated.

Mr. Crall stated that the major components do not address the political nature of the funding model. He said that somehow that needs to be folded into the process and dealt with. He has not heard all of the questions addressed and he is not sure that the 2020 goals are reasonable. He said he would like to see a more comprehensive diagnosis and a comparison of Kentucky to other states.

Dr. Layzell said that if the funding model does not align with political realities then it will inevitably fail. He said that the 2020 goals may not be attainable but postsecondary education should not start out with that assumption. He stated that the institutions will be better for making the effort and will have higher levels of educational attainment for making the effort.

Dr. Jim Votruba, NKU President, asked Mr. Crall how the institutions can make sure that the process reconciles and is aligned with the political process. He also asked what things the institutions and the Council can do different. He asked if postsecondary education is too complex or not complex enough.

Mr. Crall stated that there are at least four political influences that all move against each other: (1) each university, including its president and its board, looks at it in the micro rather than the macro; (2) legislators run for office usually in the same year that the budget is passed; (3) the Council is a political entity; and (4) the Council did not get as much funding as it hoped for and that will have implications going forward.

Representative Rasche stated that it comes down to what degree legislators are going to yield to the precepts they had in HB 1. He mentioned the K-12 equity formula and that the legislators abide by the

Department of Education's formulas and allocation of resources. He stated that this is not the case for postsecondary education. He said that one of the premises of HB 1 was that the legislature would move in that direction.

Senator Winters stated that was one of the points he was trying to make when he said that the Council needs to drive the process rather than the legislature and the Council responding. He said that the Council should drive the process by making sure that the public understands the importance of postsecondary education for the state. That public relation is a key element in the Council's future. He stated that, when appropriate, the formula needs to be out in the market place and the public needs to understand what is being considered. Postsecondary education needs to be concerned with the rank and file member of the House and the Senate to try to get the message out there that if the 2020 goal is going to be attained it must be in response to this kind of support and this kind of initiative. He restated that the system needs to be proactive as an entity to promote what it is Kentucky's future depends on.

Mr. Baker stated that one of the things that needs to be looked at is putting substantial resources into better education if progress is to be made.

Representative Rasche said that sometimes it is difficult for legislators to see the relationship between the input and the outcome of the dollars. He said that being able to see the results added to the success of the UK business plan.

Mr. Flanagan asked Mr. Crall to unwrap his comment about the pressures that the executive branch and the legislature receive from postsecondary education, not only the Council, but all of the institutions. He also asked if there is a way to deal with that.

Mr. Crall responded that it strikes him that there is still a lack of functional clarity about the role of the Council. When HB 1 was passed, he envisioned the Council having more oversight of the universities. He stated that the legislature needs an entity that can help it divest themselves of its interests that has a high degree of accountability. The Council has to have a more dynamic and direct role and it also has to have direct accountability.

Mr. Flanagan asked if HB 1 gave the Council this ability.

Mr. Crall responded probably not. He stated that at some point the legislature will need to come back and refine reform so that the Council's role is more specific.

Mr. Flanagan concurred that it may be time for some refinement of HB 1.

President Votruba said that he can't see the Council being able to keep the institutions from working directly with members of the legislature.

Dr. Layzell stated that this is part of the Council's internal political realities. He said that he agrees that the Council needs to be conscious of all these realities. He also agrees that the Council needs some additional authority that it does not currently have. He mentioned the very important authority to create the strategic agenda and that the Council has produced two agendas.

President Votruba stated that the system has seen good progress over the past eight years but that it may be time to do some midcourse corrections.

Dr. Layzell mentioned the role of the independent institutions and the need to integrate the independent institutions into the overall effort and that they should benefit from the contributions they make to achieve the goals of HB 1.

Mr. Flanagan thanked all of the guests and invited them to participate in future discussions of policy issues leading to the development of a funding policy.

Ms. Owens commented on the need to provide financial aid to part-time students.

#### 2006-08 Budget Update

Mr. Flanagan called attention to the budget update included in the agenda book.

#### Review of CPE Quarterly Report of the Agency Budget

Mr. Flanagan said that the policy group members have received a copy of the quarterly report of the agency budget. The members raised no questions or concerns.

#### Adjournment

The meeting adjourned at 9:30 a.m.

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Sandra K. Woodley  
Vice President, Finance

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Tammie L. Clements  
Executive Secretary, Finance